



APPROPRIATIONS UPDATE

HOUSE COMMITTEE ON THE BUDGET
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FISCAL YEAR 2003 DEFENSE APPROPRIATIONS BILL Conference Report

SUMMARY

On 10 October 2002, the House passed the conference report accompanying the Defense appropriations bill (H.R. 5010, H. Rept. 107-732) by a vote of 409-14. The conference agreement provides \$354.830 billion in new discretionary budget authority [BA] and \$344.115 billion in outlays for fiscal year 2003. That amount exceeds, by \$384 million in BA and \$46 million in outlays, the levels provided by the House-passed defense bill (see Table 1).

The conference report provides \$20.859 billion in BA and \$16.788 billion in outlays above fiscal year 2002 levels, which include supplemental appropriations for the war

against terrorism. If these portions of the supplementals are excluded, the conference report increases spending by \$37.623 billion in BA and \$22.322 billion in outlays compared with fiscal year 2002.

Spending in this appropriations bill has increased an average of 8.4 percent a year in each of the past 3 years, including the effect of this conference report.

The conference report contains no advance appropriations. It does contain \$704 million worth of rescissions of previously enacted BA.

COMPLIANCE WITH THE BUDGET RESOLUTION

The conference agreement is within the 302(b) allocation established in the House-passed budget resolution for fiscal year 2003 (H.Con.Res. 353). It complies with the Congressional Budget Act.

The conference report also uses the funds held in reserve for the war on terrorism by section 201 of H.Con.Res. 353. The reserve fund withheld \$10 billion from the Appropriations

Committee's allocation for subsequent appropriations exclusively related to the war against terrorism. The Chairman of the House Budget Committee has released \$1 billion of the \$10 billion in budget authority contained in that reserve, and has adjusted the allocation to the House Committee on Appropriations by \$1 billion in BA and \$743 million in outlays. The remaining funds will continue to be held in reserve for the war against terrorism.

Table 1: Defense Appropriations Bill
(fiscal years; millions of dollars)

	2002 Enacted	Administration 2003 Request	House -Passed 2003	Conference 2003^a	Difference Conference less House
Budget Authority	333,971	357,177	354,446	354,830	384
Outlays	327,327	347,966	344,069	344,115	46

^a The Conference amount includes \$1 billion in budget authority and \$743 million in outlays from the reserve fund for the war on terrorism established by the budget resolution.

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This document was prepared by the majority staff of the House Committee on the Budget. It has not been approved by the full committee and may not reflect the views of all the committee's members.

DISCUSSION

The conference report provides \$384 million more in BA than provided in the House-passed bill (see Table 2 below). Although the conference agreement provides an additional \$2 billion in additional operations and maintenance [O&M], procurement and research, development, testing and evaluation [RDT&E] funds, those gains were wiped largely away by an across the board reduction of \$1.674 billion to those same accounts. Details follow:

- An increase of \$859 million for Procurement. Increases for shipbuilding and conversion (\$889 million), aircraft (Air Force, \$658 million; Navy \$107 million; Army \$71 million), and National Guard and Reserves (\$100 million) are largely offset by reductions to Navy weapons (\$521 million), other Army procurement (\$242 million), and Air Force missiles (\$197 million).
- An increase of \$790 million for O&M accounts. Increases for the Navy (\$774 million), Defense Health Program (\$198 million), Army (\$107 million), miscellaneous special funds (\$50 million), and Army National Guard (\$25 million) are offset by reductions to the Defensewide (\$228 million) and Air Force (\$126 million) accounts.
- An increase of \$351 million for RDT&E accounts. Increases in the Navy (\$302 million), Army (\$184 million), and Air Force (\$89 million) are offset by reductions to the Defensewide RDT&E account (\$223 million) and Operational Test and Evaluation (\$1 million).
- An increase of \$263 million for the Military Personnel of the Army (\$97 million), Navy (\$58 million), Army National Guard (\$45 million), Air Force (\$43 million), and Navy Reserve (\$11 million), and other (\$9 million).
- A reduction of \$1.674 billion due to proportionate reductions in procurement and RDT&E accounts for fiscal years 2002 (\$300 million) and O&M, Procurement, and RDT&E accounts in fiscal year 2003 (\$1.374 billion). Reductions to 2002 amounts are possible because those accounts are available for obligation for longer than one fiscal year.

Table 2: Discretionary Spending in the Defense Appropriations Bill
Budget Authority
(in millions of dollars)

	House	Senate	Conference	Difference House vs. Conference
Military Personnel	93,133	93,643	93,396	263
Operations and Maintenance	128,993	129,804	129,783	790
Procurement	71,660	72,799	72,519	859
Research, Development and Testing	57,698	56,694	58,049	351
Revolving Management Funds	2,777	2,570	2,578	-199
All Other Agencies/General Provisions	185	443	179	-6
Across the Board Reductions	0	-814	-1,674	-1,674
Total	354,446	355,139	354,830	384

- A reduction of \$199 million in Revolving and Management Funds. The revolving and management funds (such as the working capital funds) finance the operations of the armed services' industrial, commercial and support-type activities through reimbursable orders. These funds have accumulated balances and the conference report draws down those balances more slowly than anticipated by the House-passed bill.

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- A reduction of \$6 million for Other accounts including a reduction in rounding adjustments (\$7 million), offset by an increase for Intelligence Community Management (\$1 million).

The amounts listed above are net of \$704 million in rescissions of previously enacted BA. They include across-

the-board cuts in procurement and RDT&E (\$300 million); Air Force missile procurement (\$208 million); account level RDT&E savings (Air Force \$69 million, Defensewide \$20 million, Navy \$2 million); Army missile procurement (\$38 million); other Army procurement (\$29 million); Army ammunition (\$23 million); weapons procurement (\$10 million); and Navy procurement (\$5 million).

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